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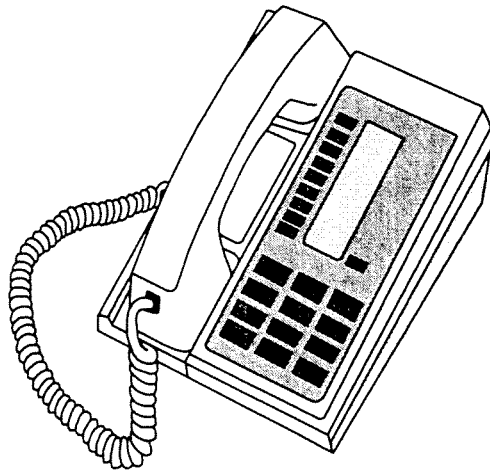
YEAR 2002

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PUBLIC SERVICE  
COMMISSION

ANNUAL REPORT  
OF  
**Hot Springs Telephone  
Company**

TELEPHONE UTILITY



TO THE  
PUBLIC SERVICE COMMISSION  
STATE OF MONTANA  
1701 PROSPECT AVENUE  
P.O. BOX 202601  
HELENA, MT 59620-2601

# Telephone Annual Report

## Instructions

### General

1. A Microsoft EXCEL 2000 workbook of the annual report is being provided on computer disk for your convenience. The workbook contains the schedules of the annual report. Each schedule is on the worksheet named that schedule. For example, Schedule 1 is on the sheet titled "Schedule 1". By entering your company name in the cell named "Company" of the first worksheet, the spreadsheet will put your company name on all the worksheets in the workbook. The same is true for inputting the year of the report in the cell named "YEAR". You can "GOTO" the proper cell by using the F5 key and selecting the name of the cell.
2. The workbook contains input sections that are unprotected, and non-input sections that are protected. Cell protection can be disabled or enabled through "TOOLS – PROTECTION – UNPROTECT SHEET" on your toolbar. Formulas and checks are built into most of the templates.
3. Use of the disk is optional. The disk and the report cover shall be returned when the report is filed. There are macros built into the workbook to assist you with the report. An explanation of the macros is on the "Control" worksheet at the front of the workbook. The explanations start at cell A1.
4. All forms must be filled out in permanent ink and be legible. Note: Even if the computer disk is used, a printed version of the report shall be filed. **Please submit one unbound copy of the annual report along with the regular number of annual reports that you submit.** This aids in scanning the report so that it may be published on our web site. The orientation and margins are set up on each individual worksheet and should print on one page. If you elect not to use the disk, please format your reports to fit on one 8.5" by 11" page with the left binding edge (top if landscaped) set at .85", the right edge (bottom if landscaped) set at .4", and the remaining two margins at .5". You may select specific schedules to print – See the worksheet "CONTROL".
5. Unless otherwise indicated, all information required in these schedules shall be from the accounts prescribed in 47 C.F.R. Part 32 and the definitions and instructions therein will apply to this report wherever applicable.
6. Information on financial schedules may be rounded to thousands of dollars for companies with over 5,000 access lines. Companies submitting schedules rounded to thousands should so indicate at the top of the schedule.
7. Where more space is needed or more than one schedule is needed additional schedules may be attached and should be included directly behind the original schedule to which it pertains and be labeled accordingly (for example, Schedule 1A).

8. The information required with respect to any statement shall be furnished as a minimum requirement to which shall be added such further information as is necessary to make the required schedules not misleading.
9. The following schedules should be filled out with information on a total company basis:

Schedules 1 - 4  
Schedule 10  
Schedules 13 - 17  
Schedule 19  
Schedule 20, Page 1 of 2  
Schedules 33 and 34

All other schedules should be filled out with Montana specific data. Financial schedules should include all amounts originating in Montana or allocated to Montana from other jurisdictions.

10. All companies owned by another company shall attach a corporate structure chart of the holding company.
11. The following schedules are not required to be filled out or submitted by companies with less than 5,000 access lines:  
  
Schedule 6  
Schedules 17 and 18  
Schedule 21
12. Schedules that have no activity during the year or are not applicable to the respondent should be marked as not applicable and submitted with the report.
13. Companies with under 5,000 lines may use summary accounts and should leave lines for subaccounts blank. Summary accounts are noted with an asterisk and subaccounts that are not required are noted with a caret.
14. Companies with over 5,000 lines must complete schedules to all required subaccount detail.
15. FCC Form M sheets may not be substituted in lieu of completing annual report schedules.
16. Common sense must be used when filling out all schedules.

### **Specific Instructions**

#### **Schedules 3 through 9**

1. **Schedules 3, 4, and 9** should include all notes to the financial statements required by the FCC or included in the financial statements issued as audited financial statements. These notes should be included in the report directly behind the schedules and should be labeled appropriately (Schedule 3A, etc.).

2. **Schedule 5** may be omitted for companies doing business only in Montana.
3. **Schedule 6** is not required for companies with under 5,000 lines.
4. **Schedule 7** must be completed by all companies. For companies under 5,000 lines, this schedule may be completed on a total state basis. Any such company completing the form on a total state basis shall indicate this fact clearly on the form.
5. **Schedule 8** - Companies with less than 5,000 lines are not required to fill out the intrastate portion. The regulated rate base must be separated from the deregulated rate base but this may be done on a total state basis. Any company so doing shall clearly indicate this on the form.
6. Only accounts designated on **Schedule 8** may be included in rate base. Only companies who have specifically been authorized in a Commission order to include cash working capital in rate base may fill out line 8 on Schedule 8. Cash working capital must be calculated using the methodology approved in the Commission order. The most recent Commission Order, and Docket, specifying cash working capital shall be noted on the schedule.
7. **Schedule 9** - Instructions to complete are similar to those used for the Statement of Cash Flows in the FCC Form M.

#### **Schedule 10**

1. For the purpose of this schedule, nonofficial companies shall include any company in which the respondent has an ownership interest which does not meet the definition of an affiliated company set out in 47 C.F.R. Section 32.9000. This schedule shall not include telecommunications accounts receivable from other customers.

#### **Schedule 11**

1. All amounts listed in Column f that represent individual items for which the higher of cost or market value was in excess of \$50,000 for companies with under 5,000 lines and in excess of \$100,000 for companies with over 5,000 lines must be fully explained in notes to this schedule. The explanation must include the plant description and location, the original cost, the net book cost, the market value, the value at which it was transferred or the price at which it was sold, and the party to which it was transferred or sold.

#### **Schedule 12**

1. Respondents shall list each item amounting individually to \$100,000 or more and report all others in the aggregate.
2. Amounts in Column f relating to individual items exceeding \$50,000 shall be fully explained.

#### **Schedule 15**

1. Line 1 must be completed by all companies for the most recent calendar year. The retention and price/earnings ratios shall be calculated on a year end basis. Enter the actual year end market price in the "Year Ended" row. If the computer disk is used, enter the year end market price in the "High" column.
2. Lines starting at 9 shall be completed for each of the twelve months of the report year for all companies with over 5,000 access lines. Earnings per share and dividends per share shall be

reported on a quarterly basis and entries shall be made only to the months that end the respective quarters (for example, March, June, September, and December.)

**Schedule 19**

1. All companies are required to submit this form. Companies with more than one plan (for example, both a retirement plan and a deferred savings plan) shall complete a schedule for each plan.
2. Companies with defined benefit plans must complete the entire form using FASB 87 and 132 guidelines.
3. Interest rate percentages shall be listed to two decimal places.

**Schedule 20**

1. All changes to the employee benefit plans shall be explained in a narrative on lines 15 and 16. All cost containment measures implemented in the reporting year shall be explained and quantified in a narrative on lines 15 & 16. All assumptions used in quantifying cost containment results shall be disclosed.
2. The schedule shall be filled out using FASB 106 and 132 guidelines.

**Schedule 21**

1. Respondents shall disclose all payments made during the year where the aggregate payment to the recipient was \$25,000 or more. Payments must include fees, retainers, commissions, gifts, contributions, assessments, bonuses, subscriptions, allowances for expenses or any other form of payment for services or as a donation.

**Schedule 23**

1. Respondents shall provide an attached sheet detailing the type and corresponding number of access lines for all entries in Column L (Other).

**Schedule 24**

1. Column (b). For each wire center that has a configuration of "Remote", Column (b) shall also reflect the respective "Host".
2. Column (c). Examples of Types of Switches are: Digital, Step by Step, and Crossbar.

**Schedule 25**

1. This schedule must be completed by all companies for the year following the reporting year.

**Schedule 26**

1. Respondents shall either report construction technicians and splicers as separate categories or footnote the appropriate categories and indicate the number of (1) construction technicians; and (2) splicers.

**Schedule 27**

1. Include in column (d) ALL additional forms of compensation, including, but not limited to: deferred compensation, deferred savings plan, profit sharing, supplemental or non-qualified retirement plan, employee stock ownership plan, restricted stock, stock options, stock appreciation rights, performance share awards, dividend equivalent shares, mortgage payments, use of company cars or car lease payments, tax preparation consulting, financial consulting, home security systems, company-paid physicals, subscriptions to periodicals, memberships, association or club dues, tuition reimbursement, employee discounts, and spouse travel.
2. The above compensation items shall be listed separately. Where more space is needed additional schedules may be attached and shall be included directly behind the original schedule to which it pertains.
3. If respondent is claiming protected status of salary information both a proprietary and non-proprietary copy of this schedule shall be filed. On the non-proprietary copy respondent shall indicate which columns respondent maintains are proprietary. A note stating that such information is being provided separately shall be included on the schedule. In no case shall either Column (a) - Name/Position, or Column (g) - Percent Increase Total Compensation, be considered proprietary. Respondent shall provide all requested information on the proprietary copy.

**Schedule 28**

1. Respondents shall provide all executive compensation information in conformance with that required by the Securities and Exchange Commission (SEC) (Regulation S-K Item 402, Executive Compensation).
2. Include in column (d) ALL additional forms of compensation, including, but not limited to: deferred compensation, deferred savings plan, profit sharing, supplemental or non-qualified retirement plan, employee stock ownership plan, restricted stock, stock options, stock appreciation rights, performance share awards, dividend equivalent shares, mortgage payments, use of company cars or car lease payments, tax preparation consulting, financial consulting, home security systems, company-paid physicals, subscriptions to periodicals, memberships, association or club dues, tuition reimbursement, employee discounts, and spouse travel.
3. All items included in Column (d) - Other Compensation shall be listed separately. Where more space is needed additional schedules may be attached and shall be included directly behind the original schedule.
4. In addition, respondents shall attach a copy of the executive compensation information provided to the SEC.

**Schedule 29**

1. Information from this schedule is consolidated with information from other Utilities and reported to the National Association of Regulatory Utility Commissioners (NARUC). Your assistance in completing this schedule, even though information may be located in other areas of the annual report, expedites reporting to the NARUC and is appreciated.

**Schedules 33 and 34**

1. Respondents shall report all transactions with affiliated companies.
2. Column (c). Respondents shall indicate in column (c) the method used to determine the price. Respondents shall indicate if a contract is in place between the Affiliate and the Utility. If a contract is in place, respondents shall indicate the year the contract was initiated, the term of the contract and the method used to determine the contract price.
3. Column (c). If the method used to determine the price is different than the previous year, respondents shall provide an explanation, including the reason for the change.

**Schedule 35**

1. Respondents shall provide an attached sheet detailing the account and the amount for all entries made to Lines 9 and 16.
2. Only companies who have specifically been authorized in a Commission Order to include cash working capital in rate base may include cash working capital in lines 9 or 16. Cash working capital must be calculated using the methodology approved in the Commission Order. The Commission Order specifying cash working capital shall be noted on the attached sheet.
3. Respondents shall indicate, for each adjustment on lines 30 through 42, if the amount is updated or if it is from the last rate case. All adjustments shall be calculated using Commission methodology.

**Schedule 36**

1. Respondents shall list the amount of tax accrued or paid for the fiscal year attributable to Montana sources for each of the listed taxes

**Schedule 37**

1. Respondents shall list the amount of Universal Service Funds received from Montana and from the federal government.



# Telephone Annual Report

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## General Information

Year: 2002

1	Legal Name of Respondent:	Hot Springs Telephone Co.
2.	Name Under Which Respondent Does Business:	Same as above
3.	Date of Incorporation:	1-1-55
4.	Address to send Correspondence Concerning Report:	P.O. Box 7850 Kalispell, Mt. 59904-0850
5.	Person Responsible for This Report:	Phyllis O. Ekblad
5a.	Telephone Number:	(406)-755-7231
Control Over Respondent		
1.	If direct control over the respondent was held by another entity at the end of year provide the following:	
	1a. Name and address of the controlling organization or person:	N A
	1b. Means by which control was held:	N A
	1c. Percent Ownership:	N A

Board of Directors		
Line No.	Name of Director and Address (City, State) (a)	Fees Paid During Year (b)
1	Jay W. Preston Sr., 312 Main St. SW, Ronan, MT. 59864	None
2	Robert B. Ekblad, P.O. Box 161, Dayton, Mt. 59914	6,000
3	Phyllis O. Ekblad, 319 Commons Way, Kalispell, Mt. 59901	None
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18	Chairman of the Board:	
19		
20		

## Officers

Year: 2002

Line No.	Title of Officer (a)	Department Over Which Jurisdiction is Exercised (b)	Name and Address of Person Holding Office at Year End (c)
1	President	General Manager	Jay W. Preston Sr., Ronan, Mt.
2	Secretary-Treasurer	Financial & Accounting	Phyllis O. Ekblad, Kalispell, Mt.
3	Vice-President	Engineering Studies, Technology	Robert B. Ekblad, Dayton, Mt.
4		Forecasting & Advance planning	
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## Total Company Balance Sheet

Year: 2002

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1		<b>CURRENT ASSETS:</b>		
2	1120	Cash and Equivalents	528,629	556,859
3	1180	Telecommunications Accounts Receivable - Net	6,963	3,320
4	1190	Other Accounts Receivable - Net		
5	1200	Notes Receivable - Net		
6	1210	Interest and Dividends Receivable		
7	1220	Materials and Supplies		
8	* 1280	Prepayments	18,649	
9	^ 1290	Prepaid Rents		
10	^ 1300	Prepaid Taxes		
11	^ 1310	Prepaid Insurance		
12	^ 1320	Prepaid Directory Expenses		
13	^ 1330	Other Prepayments		
14	1350	Other Current Assets		
15		<b>Total Current Assets</b>	554,241	560,179
16		<b>NONCURRENT ASSETS:</b>		
17	1401	Investments in Affiliated Companies		
18	1402	Investments in Nonaffiliated Companies		
19	1406	Nonregulated Investments		
20	1407	Unamortized Debt Issuance Expense		
21	1408	Sinking Funds		
22	1410	Other Noncurrent Assets		
23	1438	Deferred Maintenance and Retirements		
24	1439	Deferred Charges		
25	1500	Other Jurisdictional Assets - Net		
26		<b>Total Noncurrent Assets</b>		
27		<b>PROPERTY, PLANT, &amp; EQUIPMENT:</b>		
28	2001	Telecommunications Plant in Service	2,704,631	2,487,704
29	2002	Property Held for Future Telecommunications Use		
30	2003	Plant Under Construction - Short Term		
31	2004	Plant Under Construction - Long Term		
32	2005	Telecommunications Plant Adjustment		
33	2006	Nonoperating Plant		
34	2007	Goodwill		
35	3100	Accumulated Depreciation	1,663,415	1,457,580
36	3200	Accumulated Depreciation - Held for Future Use		
37	3300	Accumulated Depreciation - Nonoperating		
38	3400	Accumulated Amortization		
39		<b>Net Property, Plant, &amp; Equipment</b>	1,041,216	1,030,124
40		<b>TOTAL ASSETS</b>	1,595,457	1,590,303

^ Subaccount of account marked with a \*.

## Total Company Balance Sheet

Year: 2002

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
41		<b>CURRENT LIABILITIES:</b>		
42	4010	Accounts Payable	194,688	237,904
43	4020	Notes Payable		
44	4030	Advance Billing and Payments		
45	4040	Customer Deposits	13,153	12,709
46	4050	Current Maturities - Long Term Debt		
47	4060	Current Maturities - Capital Leases		
48	4070	Income Taxes - Accrued		
49	4080	Other Taxes - Accrued		
50	4100	Net Current Deferred Operating Income Taxes		
51	4110	Net Current Deferred Nonoperating Income Taxes		
52	4120	Other Accrued Liabilities		
53	4130	Other Current Liabilities		16,426
54		<b>Total Current Liabilities</b>	207,841	267,039
55		<b>LONG-TERM DEBT:</b>		
56	4210	Funded Debt		
57	4220	Premium on Long-Term Debt		
58	4230	Discount on Long-Term Debt		
59	4240	Reacquired Debt		
60	4250	Obligations Under Capital leases		
61	4260	Advances From Affiliated Companies		
62	4270	Other Long-Term Debt	129,117	179,117
63		<b>Total Long-Term Debt</b>	129,117	179,117
64		<b>OTHER LIABILITIES AND DEFERRED CREDITS:</b>		
65	4310	Other Long-Term Liabilities		
66	4320	Unamort. Oper. Invest. Tax Credits - Net		
67	4330	Unamort. Nonoper. Invest. Tax Credits - Net		
68	4340	Net Noncurrent Deferred Oper. Income Taxes		
69	4350	Net Noncurrent Deferred Nonoper. Income Taxes		
70	4360	Other Deferred Credits		
71	4370	Other Jurisdictional Liab. and Def. Credits		
72		<b>Total Other Liabilities and Deferred Credits</b>	None	None
73		<b>STOCKHOLDERS' EQUITY:</b>		
74	4510	Capital Stock	80,000	80,000
75	4520	Additional Paid-In Capital	10,832	10,832
76	4530	Treasury Stock	(125,000)	(125,000)
77	4540	Other Capital		
78	4550	Retained Earnings	1,292,667	1,178,315
79		<b>Total Stockholders' Equity</b>	1,258,499	1,144,147
80		<b>TOTAL LIAB. AND STOCKHOLDERS' EQUITY</b>	1,595,457	1,590,303

## Total Company Income Statement

Year: 2002

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1		<b>REVENUES:</b>		
2	5000	Basic Local Service Revenues	242,920	208,128
3	5080	Network Access Revenues	931,928	944,508
4	* 5100	Long Distance Message Revenue	8,905	
5	^ 5110	Unidirectional Long Distance Revenue		
6	^ 5120	Long Distance Private Network Revenue		
7	^ 5160	Other Long Distance Revenue		
8	^ 5169	Other Long Distance Revenue Settlements		
9	* 5200	Miscellaneous Revenue	44,240	40,224
10	^ 5230	Directory Revenue		
11	^ 5240	Rent Revenue		
12	^ 5250	Corporate Operations Revenue		
13	^ 5260	Miscellaneous Revenue		
14	^ 5270	Carrier Billing and Collection Revenue		
15	^ 5280	Nonregulated Revenue	4,123	5,357
16	5300	Uncollectible Revenue	(2,963)	(2,635)
17		<b>Total Revenues (L.2+L.3+L.4+L.9-L.16)</b>	1,229,153	1,195,582
18		<b>OPERATING EXPENSES:</b>		
19	6110	Network Support Expense	90,322	73,345
20	6120	General Support Expense	18,661	9,813
21	6210	Central Office Switching Expense	59,003	68,912
22	6220	Operator Systems Expense		
23	6230	Central Office Transmission Expense		
24	6310	Information Origination/Termination Expense		
25	* 6410	Cable and Wire Facilities Expense	73,733	73,713
26	^ 6431	Aerial Wire Expense		
27	^ 6441	Conduit Systems Expense		
28	6510	Other Property, Plant & Equipment Expense	66,807	59,768
29	6530	Network Operations Expense	66,488	74,373
30	6540	Access Expense	79,775	64,133
31	6560	Depreciation and Amortization Expense	167,033	172,145
32	6610	Marketing		
33	6620	Services	89,067	80,089
34	6710	Executive and Planning	17,205	15,416
35	6720	General and Administrative	319,695	288,547
36	6790	Provision for Uncollectible Notes Receivable		
37		<b>Total Operating Expenses (Sum L.19 to L.36-L.26-L.27)</b>	1,047,790	980,254
38	7100	Other Operating Income and Expense		
39	7200	Operating Taxes	40,160	57,452
40		<b>Net Operating Income (L.17-L.37+L.38-L.39)</b>	141,204	157,876
41	7300	Nonoperating Income and Expense		
42	7400	Nonoperating Taxes		
43	7500	Interest and Related Items	14,919	18,901
44	7600	Extraordinary Items		
45	7910	Effects of Juris. Ratemaking Diff. - Net		
46	7990	Nonregulated Net Income	5,670	8,055
47		<b>NET INCOME (L.40+L.41-L.42-L.43-L.44+L.45-L.46)</b>	120,614	130,920

^ Subaccount of the account marked with a \*.

Not Required--Doing Business Only in Montana

## Montana Total State Income Statement

Year: 2002

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1		<b>REVENUES:</b>		
2	5000	Basic Local Service Revenues		
3	5080	Network Access Revenues		
4	* 5100	Long Distance Message Revenue		
5	^ 5110	Unidirectional Long Distance Revenue		
6	^ 5120	Long Distance Private Network Revenue		
7	^ 5160	Other Long Distance Revenue		
8	^ 5169	Other Long Distance Revenue Settlements		
9	* 5200	Miscellaneous Revenue		
10	^ 5230	Directory Revenue		
11	^ 5240	Rent Revenue		
12	^ 5250	Corporate Operations Revenue		
13	^ 5260	Miscellaneous Revenue		
14	^ 5270	Carrier Billing and Collection Revenue		
15	^ 5280	Nonregulated Revenue		
16	5300	Uncollectible Revenue		
17		<b>Total Revenues (L.2+L.3+L.4+L.9-L.16)</b>		
18		<b>OPERATING EXPENSES:</b>		
19	6110	Network Support Expense		
20	6120	General Support Expense		
21	6210	Central Office Switching Expense		
22	6220	Operator Systems Expense		
23	6230	Central Office Transmission Expense		
24	6310	Information Origination/Termination Expense		
25	* 6410	Cable and Wire Facilities Expense		
26	^ 6431	Aerial Wire Expense		
27	^ 6441	Conduit Systems Expense		
28	6510	Other Property, Plant & Equipment Expense		
29	6530	Network Operations Expense		
30	6540	Access Expense		
31	6560	Depreciation and Amortization Expense		
32	6610	Marketing		
33	6620	Services		
34	6710	Executive and Planning		
35	6720	General and Administrative		
36	6790	Provision for Uncollectible Notes Receivable		
37		<b>Total Operating Expenses (Sum L.19 to L.36-L.26-L.27)</b>		
38	7100	Other Operating Income and Expense		
39	7200	Operating Taxes		
40		<b>Net Operating Income (L.17-L.37+L.38-L.39)</b>		

^ Subaccount of the account marked with a \*.



Not Required--We have less than 5,000 Access Lines

## Montana Intrastate Income Statement

Year: 2002

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1		<b>REVENUES:</b>		
2	5000	Basic Local Service Revenues		
3	5080	Network Access Revenues		
4	* 5100	Long Distance Message Revenue		
5	^ 5110	Unidirectional Long Distance Revenue		
6	^ 5120	Long Distance Private Network Revenue		
7	^ 5160	Other Long Distance Revenue		
8	^ 5169	Other Long Distance Revenue Settlements		
9	* 5200	Miscellaneous Revenue		
10	^ 5230	Directory Revenue		
11	^ 5240	Rent Revenue		
12	^ 5250	Corporate Operations Revenue		
13	^ 5260	Miscellaneous Revenue		
14	^ 5270	Carrier Billing and Collection Revenue		
15	^ 5280	Nonregulated Revenue		
16	5300	Uncollectible Revenue		
17		<b>Total Revenues (L.2+L.3+L.4+L.9-L.16)</b>		
18		<b>OPERATING EXPENSES:</b>		
19	6110	Network Support Expense		
20	6120	General Support Expense		
21	6210	Central Office Switching Expense		
22	6220	Operator Systems Expense		
23	6230	Central Office Transmission Expense		
24	6310	Information Origination/Termination Expense		
25	* 6410	Cable and Wire Facilities Expense		
26	^ 6431	Aerial Wire Expense		
27	^ 6441	Conduit Systems Expense		
28	6510	Other Property, Plant & Equipment Expense		
29	6530	Network Operations Expense		
30	6540	Access Expense		
31	6560	Depreciation and Amortization Expense		
32	6610	Marketing		
33	6620	Services		
34	6710	Executive and Planning		
35	6720	General and Administrative		
36	6790	Provision for Uncollectible Notes Receivable		
37		<b>Total Operating Expenses (Sum L.19 to L.36-L.26-L.27)</b>		
38	7100	Other Operating Income and Expense		
39	7200	Operating Taxes		
40		<b>Net Operating Income (L.17-L.37+L.38-L.39)</b>		

^ Subaccount of the account marked with a \*.

## Total State Basis--Under 5,000 Access lines

## Montana Intrastate Regulated Income Statement

Year: 2002

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1		<b>REVENUES:</b>		
2	5000	Basic Local Service Revenues	161,841	161,471
3	5080	Network Access Revenues	314,901	354,468
4	* 5100	Long Distance Message Revenue		
5	^ 5110	Unidirectional Long Distance Revenue		
6	^ 5120	Long Distance Private Network Revenue		
7	^ 5160	Other Long Distance Revenue		
8	^ 5169	Other Long Distance Revenue Settlements		
9	* 5200	Miscellaneous Revenue	31,858	19,984
10	^ 5230	Directory Revenue		
11	^ 5240	Rent Revenue		
12	^ 5250	Corporate Operations Revenue		
13	^ 5260	Miscellaneous Revenue		
14	^ 5270	Carrier Billing and Collection Revenue		
15	^ 5280	Nonregulated Revenue		
16	5300	Uncollectible Revenue	2,963	2,635
17		<b>Total Revenues (L.2+L.3+L.4+L.9-L.16)</b>	505,637	533,288
18		<b>OPERATING EXPENSES:</b>		
19	6110	Network Support Expense	13,291	13,524
20	6120	General Support Expense	17,914	9,421
21	6210	Central Office Switching Expense	59,003	68,912
22	6220	Operator Systems Expense		
23	6230	Central Office Transmission Expense		
24	6310	Information Origination/Termination Expense		
25	* 6410	Cable and Wire Facilities Expense	73,733	73,713
26	^ 6431	Aerial Wire Expense		
27	^ 6441	Conduit Systems Expense		
28	6510	Other Property, Plant & Equipment Expense	65,943	47,358
29	6530	Network Operations Expense	66,488	74,373
30	6540	Access Expense	3,600	3,600
31	6560	Depreciation and Amortization Expense	166,632	171,576
32	6610	Marketing		
33	6620	Services	113,159	87,324
34	6710	Executive and Planning	16,517	14,799
35	6720	General and Administrative	263,909	262,687
36	6790	Provision for Uncollectible Notes Receivable		
37		<b>Total Operating Expenses (Sum L.19 to L.36-L.26-L.27)</b>	860,190	827,287
38	7100	Other Operating Income and Expense		
39	7200	Operating Taxes	55,079	76,353
40		<b>Net Operating Income (L.17-L.37+L.38-L.39)</b>	(409,633)	(370,352)

^ Subaccount of the account marked with a \*.

**Average Rate Base - Total State**

Year: 2002

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1	2001	Telecommunications Plant in Service	2,667,046	2,487,704
2	3100	Accumulated Depreciation	1,626,136	1,457,580
3	2002	Property Held for Future Telecommunications Use		
4	3200	Accumulated Depreciation - 2002		
5	1220	Materials and Supplies		
6	4340	Noncurrent Deferred Operating Income Taxes		
7		Pre-1971 Unamortized Investment Tax Credits		
8		Cash Working Capital (if allowed by Commission)		
9		<b>Total Average Rate Base (L.1-L.2+L.3-L.4+L.5-L.6-L.7+L.8)</b>	1,040,910	1,030,124

NOT REQUIRED - WE HAVE LESS THAN 5,000 ACCESS LINES

**Average Rate Base - Intrastate**

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1	2001	Telecommunications Plant in Service		
2	3100	Accumulated Depreciation		
3	2002	Property Held for Future Telecommunications Use		
4	3200	Accumulated Depreciation - 2002		
5	1220	Materials and Supplies		
6	4340	Noncurrent Deferred Operating Income Taxes		
7		Pre-1971 Unamortized Investment Tax Credits		
8		Cash Working Capital (if allowed by Commission)		
9		<b>Total Average Rate Base (L.1-L.2+L.3-L.4+L.5-L.6-L.7+L.8)</b>		

NOT REQUIRED - WE HAVE LESS THAN 5,000 ACCESS LINES

**Average Rate Base - Regulated Intrastate**

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1	2001	Telecommunications Plant in Service		
2	3100	Accumulated Depreciation		
3	2002	Property Held for Future Telecommunications Use		
4	3200	Accumulated Depreciation - 2002		
5	1220	Materials and Supplies		
6	4340	Noncurrent Deferred Operating Income Taxes		
7		Pre-1971 Unamortized Investment Tax Credits		
8		Cash Working Capital (if allowed by Commission)		
9		<b>Total Average Rate Base (L.1-L.2+L.3-L.4+L.5-L.6-L.7+L.8)</b>		

## Statement of Cash Flows

Year: 2002

Line No.	Item Description (a)	Amount (b)	Amount (c)
1	<b>Increase/(decrease) in Cash &amp; Cash Equivalents</b>		(29,717)
2	<b>Cash Flows from Operating Activities:</b>		
3	Net Income		126,284
4	Reconciliation Adjustments:		
5	Depreciation & Amortization	167,033	
6	Provision for Accounts Receivable Losses		
7	Deferred Income Taxes - Net		
8	Unamortized Investment Tax Credits (ITCs) - Net		
9	Allowance for Funds Used During Construction (AFUDC)		
10	Change in Operating Receivables - Net	(3,643)	
11	Change in Materials, Supplies & Inventories - Net	125	
12	Change in Operating Payables & Accrued Liabilities - Net	(43,217)	
13	Change in Other Assets & Deferred Credits - Net	(18,647)	
14	Change in Other Liabilities & Deferred Credits - Net	(16,428)	
15	Other (explained on back of this page) Subscriber deposits	444	
16	Total Adjustments		85,667
17	<b>Net Cash Provided by/(Used in) Operating Activities</b>		211,951
18	<b>Cash Inflows/Outflows From Investing Activities:</b>		
19	Construction/Acquisition of Property, Plant & Equipment (net of	(178,556)	
20	AFUDC & Capital Lease Related Acquisitions)		
21	Proceeds from Disposals of Property, Plant & Equipment		
22	Investments In & Advances to Affiliates		
23	Proceeds from Repayment of Advances		
24	Other Investing Activities (explained on this page) Investments	(1,612)	
25	<b>Net Cash Provided by/(Used in) Investing Activities</b>		(180,168)
26	<b>Cash Flows from Financing Activities:</b>		
27	Net Incr./(Decr.) in Short-Term Debt, Original maturity <= 3 mo.		
28	Advances from Affiliates		
29	Repayment of Advances from Affiliates		
30	Proceeds from Issuances of Long-Term Debt		
31	Repayment of Long-Term Debt	(50,000)	
32	Payment of Capital Lease Obligations		
33	Proceeds from Issuing Common Stock/Parent Co. Equity Investment		
34	Repurchase of Treasury Shares		
35	Dividends Paid	(11,500)	
36	Other Financing Activities (explained on back of this page)		
37	<b>Net Cash Provided by Financing Activities</b>		(61,500)
38	<b>Effect of Exchange Rate Changes on Cash</b>		
39	<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>		(29,717)
40	<b>Cash &amp; Cash Equivalents at Beginning of Period</b>		426,798
41	<b>Cash &amp; Cash Equivalents at End of Period</b>		397,081

Company Name: Hot Springs Telephone Co.

DOES NOT APPLY

Year: 2002

Receivables and Investments-Affiliated & Nonaffiliated Companies

Line No.	Name of Affiliate or Company (a)	Account 1160 Temporary Investments (b)	Account 1180 Telecom. Accounts Receivable (c)	Account 1181 Accts. Rec. Telecom. Allowance (d)	Account 1190 Other Accounts Receivable (e)	Account 1191 Accounts Receivable Allow. - Other (f)	Account 1200 Notes Receivable (g)	Account 1201 Notes Receivable Allowance (h)	Account 1210 Interest and Dividends Receivable (i)	Account 1401 Investments in Affil. Companies (j)	Account 1402 Investments in Nonaffil. Companies (k)
1											
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27											
28											
29											
30	Totals										

## Net Plant in Regulated Service - Detail

Year: 2002

Line No.	Account (a)	Description (b)	Beginning of Year Balance (c)	Additions (d)	Retirements (e)	Sales & Transfers (f)	End of Year Account 2001 Balance (g)	Year End Accumulated Depreciation (h)	End of Year Net Plant Balance (i)
1	*	2110 Land and Support Assets	604,229	127,172	-	-	731,401	430,217	301,184
2	^	2111 Land							-
3	^	2112 Motor Vehicles							-
4	^	2113 Aircraft							-
5	^	2114 Special Purpose Vehicles							-
6	^	2115 Garage Work Equipment							-
7	^	2116 Other Work Equipment							-
8	^	2121 Buildings							-
9	^	2122 Furniture							-
10	^	2123 Office Equipment							-
11	^	2124 General Purpose Computers							-
12		2211 Analog Electronic Switching	400,507	28,134			428,641	215,482	213,159
13		2212 Digital Electronic Switching					-		-
14		2215 Electro-Mechanical Switching					-		-
15		2220 Operator Systems					-		-
16		2231 Radio Systems	239,444	13,009		786	253,239	111,872	141,367
17		2232 Circuit Equipment	16,238				16,238	15,534	704
18	*	2310 Information Orig & Term Equip	100,647		-	-	100,647	66,620	34,027
19	^	2311 Station Apparatus					-		-
20	^	2321 Customer Premises Wiring					-		-
21	^	2341 Large Private Branch Exchanges					-		-
22	^	2351 Public Telephone Term. Equip.					-		-
23	^	2362 Other Terminal Equipment					-		-
24		2411 Poles	9,097				9,097	5,324	3,773
25	*	2420 Cable and Wire Facilities	1,117,542	10,241	-	-	1,127,783	781,087	346,696
26	^	2421 Aerial Cable							-
27	^	2422 Underground Cable							-
28	^	2423 Buried Cable							-
29	^	2424 Submarine Cable							-
30	^	2425 Deep Sea Cable							-
31	^	2426 Intrabuilding Network Cable							-
32		2431 Aerial Wire							-
33		2441 Conduit Systems							-
34		Totals	2,487,704	178,556	-	786	2,667,046	1,626,136	1,040,910

^ Subaccount of the account marked with a \*.

## Analysis of Plant Held for Future Use

Year: 2002

Line No.	Location and Description of Property (a)	Date Included in Account 2002 (b)	Book Cost of Property at Beginning of Year (c)	Additions During the Year (d)	Retirements During the Year (e)	Transfers and Adjustments Charges and (Credits) (f)	Book Cost of Property at End of Year (g)
1	<u>NONE</u>						
2							
3							
4							
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28							
29							
30	Totals (Sum L. 1 to L. 29)						

## Average Cost of Long Term Debt

Year: 2002

Line No.	Description (a)	Issue Date (b)	Maturity Date (c)	Principal Amount (d)	Gross Proceeds (e)	Net Proceeds (f)	Net Per \$100 (g)	Outstanding Per Balance Sheet (h)	Yield to Maturity (i)	Annual Net Cost (j)	Amortization of Premium or Discount (k)	Total Cost (%) (l)
1	Demand Note	Jun-94	Jan-04	75,000	-	-	-	75,000	-	6,000		8.00%
2	Demand Note	Jan-92	Jan-06	50,000	-	-	-	50,000	-	4,000		8.00%
3												
4												
5												
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27												
28												
29												
30	<b>Total</b>			125,000	-	-		125,000		10,000		8.00%



Company Name: Hot Springs Telephone Co.

SCHEDULE 14

DOES NOT APPLY

Year: 2002

Cost of Preferred Stock

Line No.	Description (a)	Date of Issuance (b)	Method of Offering (c)	Call Redemption Price (d)	Par Value Of Issue (e)	Gross Proceeds Amounts (f)	Net Proceeds Amounts (g)	Net Proceeds Per \$100 (h)	Cost of Money (i)	Principal Outstanding (j)	Annual Cost (k)	Embedded Cost (l)
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27												
28												
29												
30	Totals (Sum L.1 to L.29)											

Company Name: Hot Springs Telephone Co.

TOTAL COMPANY

SCHEDULE 15

Year: 2002

Analysis of Common Stock

Line No.	(a)	Avg. Number of Shares Outstanding (b)	Book Value (per share) (c)	Earnings (per share) (d)	Dividends (per share) (e)	Retention Ratio (f)	Market Price High (g)	Market Price Low (h)	Price/Earnings Ratio (i)
1	Year Ended December 31:								
2									
3									
4									
5									
6									
7									
8	Month by Month Data:								
9	January								
10	February								
11	March								
12	April								
13	May								
14	June								
15	July								
16	August								
17	September								
18	October								
19	November								
20	December								
21									
22									
23									

NOT REQUIRED - WE HAVE LESS THAN 5,000 ACCESS LINES

## Capital Stock and Funded Debt Recquired or Retired During the Year

Year: 2002

Line No.	Description of Security (a)	Call or Retirement Date (b)	Number of Shares (c)	Principal Amount (d)	Reacquisition or Retirement Cost (e)	Gain or (Loss) (f)	Retirement or Reacquisition (g)
1	<u>NONE</u>						
2							
3							
4							
5							
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7							
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26							
27							
28							
29							
30	Totals (Sum L.1 to L.29)						

**Company Name: Hot Springs Telephone Co.**

**SCHEDULE 17**

Page 1 of 2

NOT REQUIRED - WE HAVE LESS THAN 5,000 ACCESS LINES

**Year: 2002**

**Total Company Expense Matrix**

Line No.	Acct. No. (a)	Description (b)	Salaries and Wages (c)	Benefits (d)	Rents (e)	Other Expenses (f)	Clearances (g)	Total (h)
1	*	Network Support Expense						
2	^	Motor Vehicle Expense						
3	^	Aircraft Expense						
4	^	Special Purpose Vehicles Expense						
5	^	Garage Work Equipment Expense						
6	^	Other Work Equipment Expense						
7	*	General Support Expense						
8	^	Land and Building Expense						
9	^	Furniture and Artworks Expense						
10	^	Office Equipment Expense						
11	^	General Purpose Computers Expense						
12	*	Central Office Switching Expense						
13	^	Analog Electronic Expense						
14	^	Digital Electronic Expense						
15	^	Electro-Mechanical Expense						
16		Operator Systems Expense						
17	*	Central Office Transmission Expense						
18	^	Radio Systems Expense						
19	^	Circuit Equipment Expense						
20	*	Information Origination/Termination Expense						
21	^	Station Apparatus Expense						
22	^	Large Private Branch Exchange Expense						
23	^	Public Telephone Terminal Equipment Exp.						
24	^	Other Terminal Equipment Expense						
25	*	Cable and Wire Facilities Expense						
26	^	Poles Expense						
27	^	Aerial Cable Expense						
28	^	Underground Cable Expense						
29	^	Buried Cable Expense						
30	^	Submarine Cable Expense						
31	^	Deep Sea Cable Expense						
32	^	Intrabuilding Network Cable Expense						
33	^	Aerial Wire Expense						
34		<b>Subtotals</b>						

^ Subaccount of the account marked with a \*

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Company Name: Hot Springs Telephone Co.

NOT REQUIRED - WE HAVE LESS THAN 5,000 ACCESS LINES

**Total Company Expense Matrix**

Line No.	Acct. No. (a)	Description (b)	Salaries and Wages (c)	Benefits (d)	Rents (e)	Other Expenses (f)	Clearances (g)	Total (h)
35	^	Conduit Systems Expense						
36	6510	Other Property Expenses						
37	*	Network Operations Expense						
38	^	Power Expense						
39	^	Network Administration Expense						
40	^	Testing Expense						
41	^	Plant Operations Expense						
42	^	Engineering Expense						
43	6540	Access Expense						
44	6561	Depreciation - Telecomm. Plant in Service						
45	6562	Depreciation-Prop. for Future Telecom. Use						
46	6563	Amortization Expense - Tangible						
47	6564	Amortization Expense - Intangible						
48	6565	Amortization - Other						
49	*	Marketing						
50	^	Product Management						
51	^	Sales						
52	^	Product Advertising						
53	6621	Call Completion Services						
54	6622	Number Services						
55	6623	Customer Services						
56	6711	Executive						
57	6712	Planning						
58	6721	Accounting and Finance						
59	6722	External Relations						
60	6723	Human Relations						
61	6724	Information Management						
62	6725	Legal						
63	6726	Procurement						
64	6727	Research and Development						
65	6728	Other General and Administrative						
66	6790	Provision for Uncollectible Notes Receivable						
67		<b>Totals</b>						

^ Subaccount of the account marked with a \*.

NOT REQUIRED - WE HAVE LESS THAN 5,000 ACCESS LINES

Year: 2002

## Total State Expense Matrix

Line No.	Acct. No. (a)	Description (b)	Salaries and Wages (c)	Benefits (d)	Rents (e)	Other Expenses (f)	Clearances (g)	Total (h)
1	*	Network Support Expense						
2	^	Motor Vehicle Expense						
3	^	Aircraft Expense						
4	^	Special Purpose Vehicles Expense						
5	^	Garage Work Equipment Expense						
6	^	Other Work Equipment Expense						
7	*	General Support Expense						
8	^	Land and Building Expense						
9	^	Furniture and Artworks Expense						
10	^	Office Equipment Expense						
11	^	General Purpose Computers Expense						
12	*	Central Office Switching Expense						
13	^	Analog Electronic Expense						
14	^	Digital Electronic Expense						
15	^	Electro-Mechanical Expense						
16		Operator Systems Expense						
17	*	Central Office Transmission Expense						
18	^	Radio Systems Expense						
19	^	Circuit Equipment Expense						
20	*	Information Origination/Termination Expense						
21	^	Station Apparatus Expense						
22	^	Large Private Branch Exchange Expense						
23	^	Public Telephone Terminal Equipment Exp.						
24	^	Other Terminal Equipment Expense						
25	*	Cable and Wire Facilities Expense						
26	^	Poles Expense						
27	^	Aerial Cable Expense						
28	^	Underground Cable Expense						
29	^	Buried Cable Expense						
30	^	Submarine Cable Expense						
31	^	Deep Sea Cable Expense						
32	^	Intrabuilding Network Cable Expense						
33	^	Aerial Wire Expense						
34		Subtotals						

^ Subaccount of the account marked with a \*

Company Name: Hot Springs Telephone Co.

**SCHEDULE 18**

Page 2 of 2

NOT REQUIRED - WE HAVE LESS THAN 5,000 ACCESS LINES

**Year: 2002**

**Total State Expense Matrix**

Line No.	Acct. No. (a)	Description (b)	Salaries and Wages (c)	Benefits (d)	Rents (e)	Other Expenses (f)	Clearances (g)	Total (h)
35	^	6441 Conduit Systems Expense						
36		6510 Other Property Expenses						
37	*	6530 Network Operations Expense						
38	^	6531 Power Expense						
39	^	6532 Network Administration Expense						
40	^	6533 Testing Expense						
41	^	6534 Plant Operations Expense						
42	^	6535 Engineering Expense						
43		6540 Access Expense						
44		6561 Depreciation - Telecomm. Plant in Service						
45		6562 Depreciation-Prop. for Future Telecom. Use						
46		6563 Amortization Expense - Tangible						
47		6564 Amortization Expense - Intangible						
48		6565 Amortization - Other						
49	*	6610 Marketing						
50	^	6611 Product Management						
51	^	6612 Sales						
52	^	6613 Product Advertising						
53		6621 Call Completion Services						
54		6622 Number Services						
55		6623 Customer Services						
56		6711 Executive						
57		6712 Planning						
58		6721 Accounting and Finance						
59		6722 External Relations						
60		6723 Human Relations						
61		6724 Information Management						
62		6725 Legal						
63		6726 Procurement						
64		6727 Research and Development						
65		6728 Other General and Administrative						
66		6790 Provision for Uncollectible Notes Receivable						
67		<b>Totals</b>						

^ Subaccount of the account marked with a \*

**Pension Costs**

Year: 2002

1	Plan Name Hot Springs Telephone Co. Profit Sharing Pension Plan			
2	Defined Benefit Plan? <u>No</u>	Defined Contribution Plan? <u>No</u>		
3	Actuarial Cost Method? <u>N/A</u>	IRS Code: <u>401</u>		
4	Annual Contribution by Employer: <u>Based on Profits</u>	Is the Plan Over Funded? <u>No</u>		
5				
	Item	Current Year	Last Year	% Change
6	<b>Change in Benefit Obligation</b>	N/A	N/A	
7	Benefit obligation at beginning of year			
8	Service cost			
9	Interest Cost			
10	Plan participants' contributions			
11	Amendments			
12	Actuarial Gain			
13	Acquisition			
14	Benefits paid			
15	Benefit obligation at end of year			
16	<b>Change in Plan Assets</b>			
17	Fair value of plan assets at beginning of year	479,234	410,121	16.85%
18	Actual return on plan assets	7,784	13,385	-41.85%
19	Acquisition			
20	Employer contribution	62,116	55,728	11.46%
21	Plan participants' contributions	-		
22	Benefits paid	-		
23	Fair value of plan assets at end of year	549,134	479,234	14.59%
24	<b>Funded Status</b>	N/A	N/A	
25	Unrecognized net actuarial loss			
26	Unrecognized prior service cost			
27	Prepaid (accrued) benefit cost			
28				
29	<b>Weighted-average Assumptions as of Year End</b>	N/A	N/A	
30	Discount rate			
31	Expected return on plan assets			
32	Rate of compensation increase			
33				
34	<b>Components of Net Periodic Benefit Costs</b>	N/A	N/A	
35	Service cost			
36	Interest cost			
37	Expected return on plan assets			
38	Amortization of prior service cost			
39	Recognized net actuarial loss			
40	Net periodic benefit cost			
41				
42	<b>Montana Intrastate Costs:</b>	N/A	N/A	
43	Pension Costs			
44	Pension Costs Capitalized			
45	Accumulated Pension Asset (Liability) at Year End			
46	<b>Number of Company Employees:</b>			
47	Covered by the Plan	9	9	
48	Not Covered by the Plan	6	3	-50.00%
49	Active	9	9	
50	Retired	0	0	
51	Deferred Vested Terminated	0	0	



## Payments for Services to Persons Other Than Employees

Year: 2002

Part 2. Services to Persons Other Than Employees						Year: 2002
Line No.	Name of Recipient (a)	Nature of Service (b)	Total Company Cost (c)	Total State Cost (d)	Intrastate Cost (e)	
1	<u>NONE</u>					
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
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14						
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40						
41						
42						
43						
44						
45						
46						
47						
48						
49	Total					

## Subscriber Line Usage Data

Year: 2002

Line No.	Description (a)	This Year (b)	% of Total (c)	Last Year (d)	% of Total (e)
1	Toll Usage:				
2	Interstate, InterLATA	2,372,118	19.94%	2,556,670	24.26%
3	Interstate, IntraLATA		0%	0	0%
4	<b>Total Interstate Usage</b>	2,372,118	19.94%	2,556,670	24.26%
5	Intrastate, InterLATA	171,584	1.44%	152,256	1.44%
6	Intrastate, IntraLATA	2,825,024	23.75%	2,054,978	19.50%
7	<b>Total Intrastate Usage</b>	2,996,608	25.19%	2,207,234	20.94%
8	<b>Total Toll Usage</b>	5,368,726	45.14%	4,763,904	45.20%
9	Centrex	0	0%	0	0%
10	Local	6,525,856	54.86%	5,776,477	54.80%
11	<b>Total Minutes</b>	11,894,582	100.00%	10,540,381	100.00%

## Central Office and Access Line Statistics

Year: 2002

Line No.	Wire Center (a)	Type of Office (b)	Residential (c)	ISDN (d)	ADSL (e)	Lifeline Customers (f)	Residential LMS Customers (g)	Single Line Business (h)	Multi-Line Business (i)	Customer Owned Coin (j)	Company Owned Coin (k)	Other (l)	% of Lines w/ T. Tone (m)	Total Access Lines (n)
1	Urban	Digital	236		10	35		39	47	1	5		100.0%	373
2	Rural	Digital	326		9	29		23	31	0	6		100.0%	424
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32														
33	Total		562		19	64		62	78	1	11			797

NOTE: Additional blank schedules are being provided for your convenience.

## Central Office and Switch Information

Year: 2002

Line No.	Wire Center (a)	Office Configuration (Host, Remote, Stand alone) (b)	Type of Switch (c)	Switch Vendor/ Manufacturer (d)	Switch Model No. (e)	Switch Line Capacity (f)	Year Deployed (g)
1	HOT SPRINGS	STAND ALONE	DIGITAL	SIEMENS	DCO-RNS-SE	1,080	1999
2							
3							
4							
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NOTE: Additional blank schedules are being provided for your convenience.

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## Construction Budget - Montana

Year: 2003

Line No.	Description (a)	2003 (b)
1	<b>Central Office Assets:</b>	
2	COE Upgrades	40,000
3	Rural Plant & Cable	30,000
4	Town Plant & Cable	20,000
5		
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26		
27	Total Switching and Central Office Projects over \$500,000	
28	Miscellaneous Central Office Projects not over \$500,000	90,000
29	<b>Total Central Office Budget (Total of Line 27 &amp; Line 28)</b>	90,000
30	<b>Other Projects over \$500,000:</b>	
31		
32		
33		
34		
35		
36		
37		
38		
39		
40		
41	Total Other Projects over \$500,000	
42	Miscellaneous projects not over \$500,000      Garage and Equip. Building	20,000
43	<b>Total Construction Budget (Total of Lines 29, 41 &amp; 42)</b>	110,000

## Montana Employee Counts

Year: 2002

Line No.	Category (a)	Beginning of Year (b)	End of Year (c)
1	GENERAL MANAGER	1	1
2	OFFICE MANAGER	1	1
3	COE MAINTENANCE MANAGER & LINEMAN	1	1
4	PART TIME OFFICE CLERK	3	2
5	ACCOUNTANT & FINANCIAL MANAGER	1	1
6	ASSISTANT ACCOUNTANT & PAYROLL CLERK	1	1
7	INSTALLATIONS, LINEMEN & CONSTRUCTION WORKERS	3	3
8	INTERNET CONSULTANT	1	1
9			
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43	<b>Totals (Sum of Lines 1 through 42)</b>	12	11

## Proprietary Confidential Information

## Compensation of Top 10 Montana Based Employees

Year: 2002

Line No.	Name/Title (a)	Base Salary (b)	Bonuses (c)	Pension Plan Other Compensation (d)	Total Compensation (e)	Total Compensation Last Year (f)	% Increase Total Compensation (g)
1	JAY W. PRESTON, SR. GENERAL MANAGER						
2	SANDRA M. PRONGUA OFFICE MANAGER						
3	PHYLLIS O. EKBLAD ACCOUNTANT & FINANCIAL MGR						
4	WILLIAM G. JOHNSON ASSIST. ACCOUNT. & PAYROLL MGR						
5	LAURENCE S. WALCHUK COE MANAGER & LINEMAN						
6	JOSEPH L. WALCHUCK INSTALLATION, LINEMAN & CONST.						
7	JANET L BRAS OFFICE CLERK						
8	LAWRENCE E. PABLO INSTALLER, LINE- MAN & CONST.						
9	RICHARD W. JACKSON INSTALLER, LINE- MAN & CONST.						
10	RICHARD A. ESTERLING INTERNET WORKER						
11	Totals (Sum L.1 to L.10)						

Proprietary Confidential Information

DOES NOT APPLY

Year: 2002

**Compensation of Top 5 Corporate Employees - SEC Information**

Line No.	Name/Title (a)	Base Salary (b)	Bonuses (c)	Other Compensation (d)	Total Compensation (e)	Total Compensation Last Year (f)	% Increase Total Compensation (g)
1							
2							
3							
4							
5							
6	Totals (Sum L.1 to L.5)						



## Montana Composite Statistics

Year: 2002

Line No.	Account No.	Description (a)	Amount (b)
1		<b>Plant (Intrastate Only) (000 Omitted)</b>	
2	2001	Plant in Service	2,671
3	2003 - 2004	Construction Work in Progress	
4	2005	Plant Acquisition Adjustments	
5	2002	Plant Held for Future Use	
6	1220	Materials & Supplies	
7		(Less):	
8	3100 - 3400	Depreciation & Amortization Reserves	(1,626)
9	4360.2	Contributions in Aid of Construction	(4)
10		<b>NET BOOK COSTS</b>	1,041
11		<b>Revenues &amp; Expenses (Intrastate Only) (000 Omitted)</b>	
12	5000 - 5300	Operating Revenues	506
13	6560	Depreciation & Amortization Expenses	167
14		Federal & State Income Taxes	23
15		Other Taxes	32
16		Other Operating Expenses	694
17		TOTAL Operating Expenses	916
18		Net Operating Income	(410)
19		Other Income	676
20		Other Deductions	140
21		<b>NET INCOME</b>	126
22		<b>Access Lines in Service (Intrastate Only)</b>	
23		Residential Access Lines	645
24		Business Access Lines	140
25		PBX Access Lines	
26		Other Access Lines	12
27		<b>Total Number of Access Lines</b>	797
28		<b>Average Number of Calls Per Access Line</b>	
29		Local Calls	1,365
30		Toll Calls (Intra- or Interstate)	1,123
31		<b>Total Number of Calls Per Access Line (Total of Line 29 &amp; Line 30)</b>	2,487
32		<b>Other Statistics (Intrastate Only)</b>	
33		Average Residential Monthly Bill	30
34		Gross Plant Investment per Access Line	3,347

## Depreciation - Montana Intrastate Regulated

Year: 2002

Line No.	Acct No. (a)	Description (b)	Composite Rate % (c)	Total Expense \$ (d)
1	2112	Motor Vehicles	20.0%	14,209
2	2114	Special Purpose Vehicles		
3	2115	Garage Work Equipment		
4	2116	Other work Equipment	20.0%	2,739
5	2121	Buildings	5.0%	9,573
6	2122	Furniture	20.0%	674
7	2123.1	Office Support Equipment		
8	2123.2	Company Communications Equipment		
9	2124	General Purpose Computers	20.0%	3,290
10	2211	Analog Electronic Switching Equipment		
11	2212	Digital Electronic Switching Equipment	10.0%	48,041
12	2215	Step By Step Switching Equipment		
13	2215	Crossbar Switching Equipment		
14	2220	Operator System		
15	2231	Radio Systems	10.0%	24,368
16	2232	Circuit DDS		
17	2232	Circuit Digital		
18	2232	Circuit Analog	10.0%	393
19	2351	Public Telephone Terminating Equipment	20.0%	
20	2362	Other Terminal Equipment	10.0%	6,343
21	2411	Poles		
22	2421	Aerial Cable Metallic	10.0%	8,470
23	2421	Aerial Cable Nonmetallic		
24	2422	Underground Cable Metallic		
25	2422	Underground Cable Nonmetallic		
26	2423	Buried Cable Metallic	5.0%	40,131
27	2423	Buried Cable Nonmetallic	5.0%	8,399
28	2424	Submarine Cable Metallic		
29	2424	Submarine Cable Nonmetallic		
30	2426	Intrabuilding Network Cable Metallic		
31	2426	Intrabuilding Network Cable Nonmetallic		
32	2431	Aerial Wire		
33	2441	Conduit Systems		
34				166,632
35		<b>COMPOSITE TOTAL</b>	6.36%	
36				
37	Have these rates been approved by the Commission? ____ YES ____ <u>X</u> NO			
38				
39	If yes: _____ Docket Number _____ Order Number			
40				

## Montana Regulatory Capital Structure &amp; Costs

Year: 2002

Line No.	Description (a)	% Cap. Str. (b)	% Cost Rate (c)	Weighted Cost (d)
	<b>Commission Accepted - Most Recent</b>			
1	Docket Number			
2	Order Number			
3				
4	Common Equity	N/A		
5	Preferred Stock			
6	Long Term Debt			
7	Other			
8	<b>Total</b>			
9				
10	<b>Actual at Year End</b>			
11				
12	Common Equity	90.70%	12.500%	11.337%
13	Preferred Stock			
14	Long Term Debt	9.30%	9.000%	0.837%
15	Other			
16	<b>Total</b>	100.00%		12.174%

## Network Access - Charges and Revenues

Year: 2002

Line No.	Description (a)	Access Charges Paid (b)	Access Revenues Received (c)
1	Montana - Total State		425,981
2			
3	Montana - Intrastate		4,914
4			
5	Montana - Intrastate Regulated		314,901
6			
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13			

Company Name: Hot Springs Telephone Co.  
DOES NOT APPLY

Year: 2002

**Affiliate Transactions - Products & Services Provided to Utility**

Line No.	Affiliate Name (a)	Products & Services (b)	Method to Determine Price (c)	Charges to Utility (d)	% Total Affil. Revenues (e)	Charges to MT Utility (f)
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30	<b>TOTAL</b>					

Company Name: Hot Springs Telephone Co.

SCHEDULE 34

DOES NOT APPLY

**Affiliate Transactions - Products & Services Provided by Utility**

Year: 2002

Line No.	Affiliate Name (a)	Products & Services (b)	Method to Determine Price (c)	Charges to Affiliate (d)	% Total Affil. Revenues (e)	Charges to MT Utility (f)
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29						
30	<b>TOTAL</b>					

## Montana Intrastate Regulated Earned Rate of Return

Year: 2002

Line No.	Description Rate Base (a)	This Year (b)	Last Year (c)	Percent Change (d)
1				
2	2001 Plant in Service	2,667,046	2,487,704	7.21%
3	2002 Prop. Held for Future Telecommunications Use			
4	3100-3200 (Less) Accumulated Depreciation	(1,626,136)	(1,457,580)	-11.56%
5	<b>Plant in Service</b>	1,040,910	1,030,124	1.05%
6				
7	<b>Additions</b>			
8	1220 Materials & Supplies			
9	1280 Prepayments			
10	Other Additions			
11	<b>TOTAL Additions</b>			
12				
13	<b>Deductions</b>			
14	4100 Current Deferred Operating Income Taxes			
15	4320 Unamortized Operating Investment Tax Credits			
16	4340 Noncurrent Deferred Operating Income Taxes			
17	Customer Advances for Construction			
18	Other Deductions			
19	<b>TOTAL Deductions</b>			
20	<b>TOTAL Rate Base</b>	1,040,910	1,030,124	1.05%
21				
22	<b>Net Earnings</b>	120,614	130,920	-7.87%
23				
24	<b>Rate of Return on Average Rate Base</b>	11.587%	12.709%	-8.83%
25				
26	<b>Rate of Return on Average Equity</b>	10.042%	11.447%	-12.27%
27				
28	Major Normalizing Adjustments & Commission			
29	<u>Ratemaking adjustments to Utility Operations</u>			
30				
31	N/A			
32				
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41				
42				
43	<b>Adjusted Rate of Return on Average Rate Base</b>			
44				
45	<b>Adjusted Rate of Return on Average Equity</b>			

**Other Taxes Paid**

Year: 2002

Line No.	Description (a)	Last Year (b)	This Year (c)
1	Montana Telephone Company License Tax		
2	Montana Public Service Commission Tax	1,305	1,006
3	Montana Consumer Counsel Tax	390	366
4	911 Emergency Telephone Fee	4,620	4,765
5	Montana Telecommunications Access Service (TDD)	918	945
6	Montana Corporate License Tax	6,545	6,246
7	Personal Property Tax	2,258	2,527
8	Real Property Tax	11,857	13,266
9	Montana State Excise Tax	12,644	13,569
10			
11			
12	<b>Total</b>	40,537	42,690

**Universal Service Funds Received**

Year: 2002

Line No.	Description (a)	Last Year (b)	This Year (c)
13	Funds received from Montana Sources	-0-	-0-
14	Funds received from Federal Sources	159,283	176,721
15			
16			
17			
18			
19			
20			
21			
22			
23			
24	<b>Total</b>	159,283	176,721

